Foreword

This second volume of the *History of the EBRD* is going to press just as the world is tentatively looking forward to a recovery from a pandemic that has cost hundreds of thousands of lives and dealt a devastating blow to economies across the globe.

Intense suffering has continued. There may still be further setbacks and, even in recovery, the world could look quite different from the pre-Covid-19 era. There is no doubt that the virus has wielded a disproportionately greater impact on the poorest and most vulnerable sections of society, including in the EBRD’s regions.

The EBRD stands willing and prepared to stand by its countries as they continue to deal with the immediate challenges of the worst global health crisis in generations. It will help them deliver a more robust and more inclusive economic future once the recovery takes hold.

This second volume of the EBRD’s history tracks the path that the Bank has taken over the last 15 years, during which it strengthened its contribution to the countries where it invests, making a greater impact on the lives of the people it serves.

It covers a period where the Bank became even more international in its shareholder base and adapted to address more comprehensively the global challenges of the 21st century. The Bank embarked on a period of expansion to geographies beyond the planned economies of its post-communist remit. Yet, it remained unerringly true to its fundamental purpose to support its countries of operations in their quest to become well-functioning, market-oriented economies.

Picking up the story in the latter part of the first decade of the new millennium, we see how the EBRD transferred the skills it had successfully built up in central and eastern Europe and seamlessly applied them first to Turkey and then further afield.

We track the EBRD as it filled a policy vacuum that emerged in the global financial crisis of 2008/2009, taking the lead in a response that staved
off the worst impacts of the sharpest economic downturn since the transition collapse, and stepping up financing just as the private sector retrenched.

Just as there were signs of embryonic recovery in eastern Europe, popular protests erupted across the Arab world, reminiscent of the 1989 quest for freedom from the communist yoke. The EBRD responded to appeals from the international community and from emerging new democracies and brought its talents to the Mediterranean shores of North Africa and the Middle East. Just a little later, it supported the economies of two eurozone members, Cyprus and Greece, whose financial sectors had been devastated by a fiscal and debt crisis.

The Bank’s strong early contribution had been to support the integration of post-communist countries into the EU and to encourage all of them to build free market economies. The ease with which it shifted gear to reach out just as effectively to a different set of countries is testament to the high quality of the EBRD’s central proposition. It demonstrated during this period the supremacy of the Bank’s unique business model over the confines of geography or cultural and historical heritage. It is a business model that thrives because of its targeted market-driven focus and support for the drivers of economic growth. It is success built on a presence on the ground in its countries of operations that is unmatched by other development institutions.

The EBRD has established a winning combination that brings together sectoral and institutional expertise with teams of highly professional local staff with a profound understanding of the economies and the political dynamic in each of the countries it serves. This insight into politics and access to policymakers facilitates meaningful dialogue with both local and the central authorities at all levels of political influence, including the very highest. These are relationships that engender mutual trust and respect and also allow for candour in those periods that call for difficult messages.

The EBRD’s ability to forge strong partnerships has been another important plank in its support for emerging economies, one outstanding example being its cooperation with the European Union and key bilateral donors to provide finance and technical assistance for the countries of the Western Balkans as they work towards further EU integration.

The EBRD’s mandate and the goals that it enshrines have remained unchanged since the creation of the Bank in 1991. But it has deepened its endeavours and its contribution to transition in the light of experience and added to the toolkit it uses to achieve its goals. It has shifted the balance
between financial investment and policy engagement and placed a greater emphasis on support for policy reform that underpins economic progress and guarantees that the EBRD’s ultimate contribution is greater than the sum of its individual projects.

Rejecting the binary notion of “state bad, private sector good”, the EBRD fully acknowledges the crucial role the public sector must play in helping to create institutions and regulatory frameworks within which the private sector can flourish. The Bank has worked tirelessly and across multiple economic sectors to help authorities deliver the institutional evolution and adherence to the rule of law that attracts international and domestic flows of sustainable investment.

During the period covered by this second volume, the EBRD strengthened the criteria according to which it measures the success of its interventions in emerging economies to take account of the sustainability of its transformational efforts. It has remained committed to improving such qualities as competitiveness and integration—core activities of the early years—but put an even stronger focus on green transition, inclusion and governance, as well as resilience.

There emerged an increasing alignment between the EBRD’s priorities and the international development agenda when, in 2015, the United Nations unveiled its 17 Sustainable Development Goals and there was near universal endorsement of the Paris Climate Agreement, which finally made a determined global effort to address the urgent challenge of climate change.

Having pursued a strong environmental agenda since its inception, the EBRD’s own contribution to the Paris accords was now a pledge to raise the share of its green financing to 40 per cent of annual investments by 2020, and then subsequently to scale up further its ambitions to become a majority “green” bank by 2025.

Just as it had reacted with determination and agility to earlier external events like the financial crisis and the Arab Spring, deftly applying its skills to new challenges, the EBRD also responded decisively to concerns about the negative impacts of climate change and to fears that the fruits of rising prosperity were not being shared fairly across societies in its regions.

It remained true to its belief in the positive forces of multilateralism and its rejection of nationalism and protectionism. It did not want to reverse the tide of globalisation, but it wanted to make it more widely beneficial—to
help small businesses and entrepreneurs in its regions participate competitively and successfully in the global marketplace.

It increased its efforts to reach out to those who risked being stranded on the margins of economic progress with the introduction of a fully-fledged strategy of economic inclusion. Through its investments and policy work the Bank could ensure the greater integration of individuals—who were missing out through no fault of their own—into the jobs market and to the world of enterprise.

As the EBRD now looks forward to the post-Covid era and implements its strategy for the next five years, it has three clear priorities:

- It will deliver on its ambitious green economy targets, with plans to ensure that every one of its projects is aligned with the Paris climate goals by end 2022, and that over 50 per cent of its investments are “green” by 2025. It will not neglect its other traditional investment areas including small businesses, industry and energy and infrastructure, but financing in these sectors will be an integral part of the EBRD’s pathway to a net zero emissions future.

- It will promote inclusion and equality of opportunity through access to skills and employment, finance and entrepreneurship, providing targeted support especially for women, young people and underserved communities and seeking to address imbalances that have been put into particular relief by the Covid-19 pandemic.

- It will accelerate the digital transition process, supporting a trend whose importance has only been highlighted during the lockdowns that have been imposed to stem the spread of the coronavirus.

In the future, if this is what shareholders decide, the EBRD may determine whether there is scope for incremental further expansion of the Bank’s geographic remit into sub-Saharan Africa and Iraq. We aim for a decision next year.

In the meantime, the EBRD remains a robust and reliable partner for all of its countries of operations.
It will make good on its pledge to deliver a stronger, sustainable economic future that changes lives for the better and is shared by the many, not just the few.

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